

Survey Results:  
The Internet and the Changing  
Financial Services Marketplace

ASSOCIATION FOR FINANCIAL  
PROFESSIONALS

(Formerly Treasury Management Association)

October 20, 1999

## INTRODUCTION

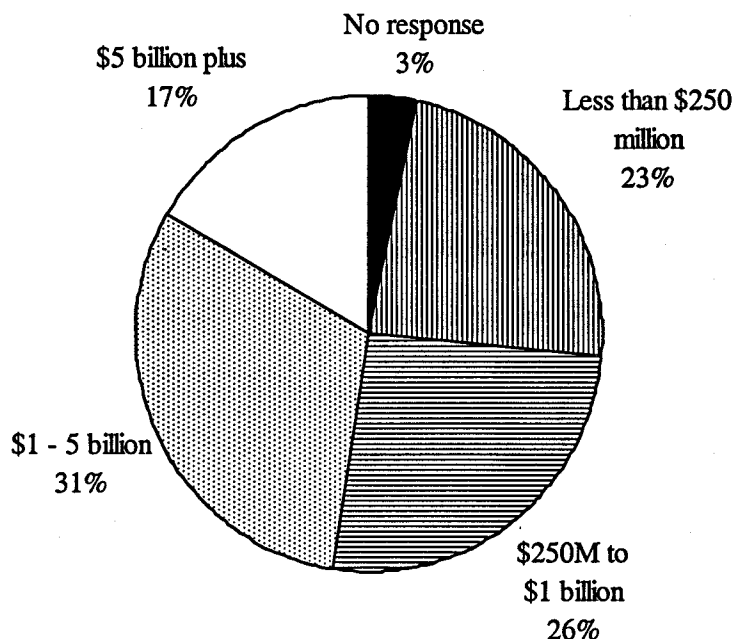
With the widespread use of the Internet, a growing number of organizations have developed web sites to perform many functions, ranging from obtaining information to e-commerce. TMA recently conducted a survey of its members to determine the role of the Internet in providing financial information, products, and services. This report summarizes the results of the TMA survey. The objectives of the survey were to:

1. identify types of institutions used by financial professionals for financial services;
2. understand the emerging role of the Internet in providing financial services; and,
3. examine the impact of Y2K on a company's access to capital and cash flow.

The survey was administered to TMA members during the week of October 11 through October 15, 1999. A total of 6,471 members were sent surveys via broadcast fax; 852 returned their survey forms, yielding a response rate of 13 percent. The survey form may be found at the end of this report. (See Appendix A.)

Survey respondents represent organizations of all sizes, from under \$50 million in total revenues to \$20 billion or more. (See Figure 1.) This distribution of survey responses roughly matches the overall distribution of TMA membership. Greater than half (56%) of the respondents are employed at publicly held companies; 28 percent work at privately held companies and 17 percent work at non-profit or government agencies.

**Figure 1**  
**Respondents' Organization Size**



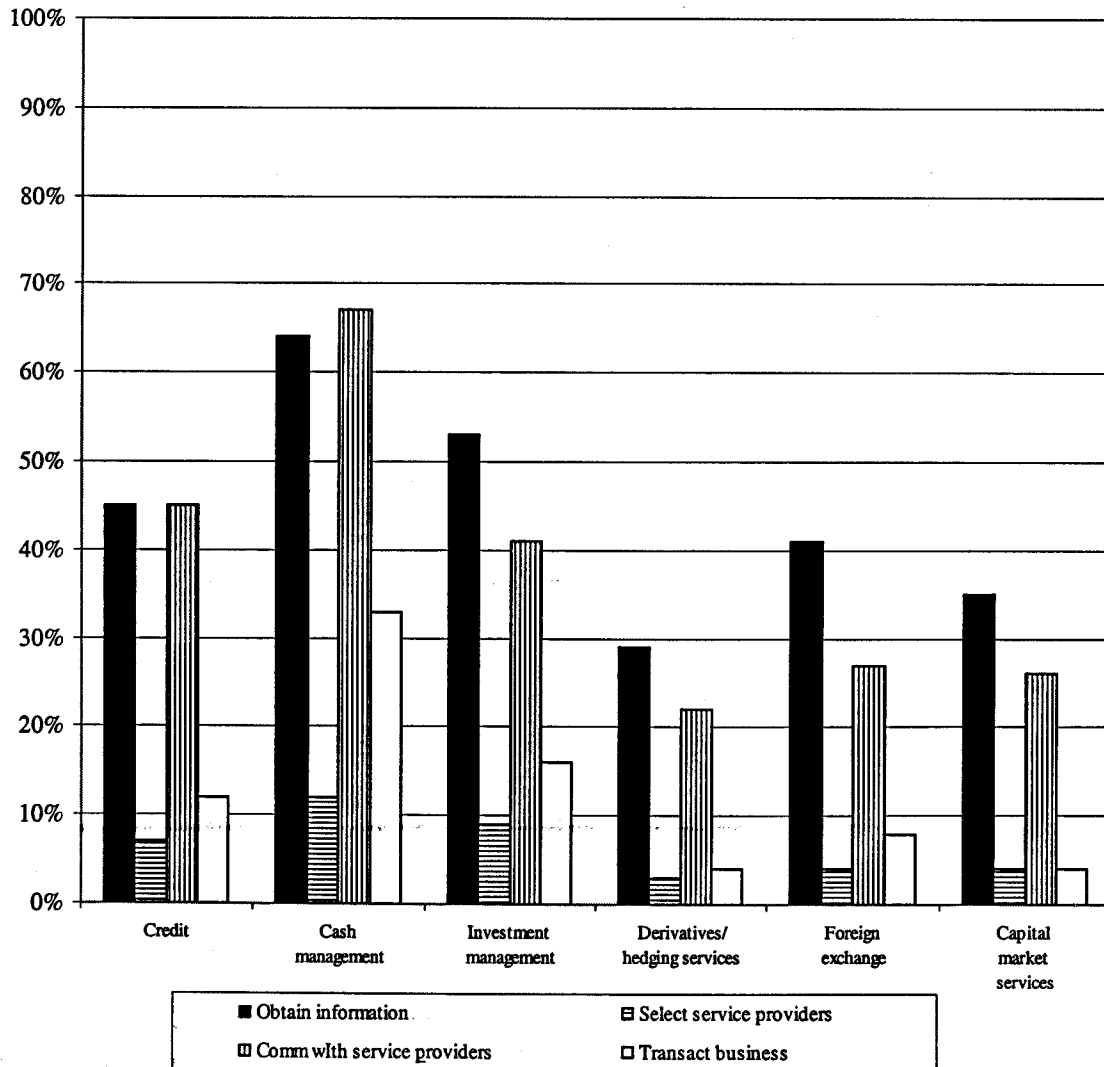
## SUMMARY OF FINDINGS

### ROLE OF THE INTERNET

Survey respondents report a broad and growing use of the Internet for several key financial services. On average, the Internet is used mostly to obtain information (45%) and communicate with service providers (38%); about 13 percent transact business and less than 10 percent select service providers.

Forty percent or more of respondents use the Internet to obtain information on credit (45%), cash management (64%), investment management (53%) and foreign exchange (41%). (See Figure 2.) About one-third of respondents involved in cash management use the Internet to transact business. Large companies were more likely to communicate with service providers than smaller companies for all of the services listed in Table 1.

**Figure 2**  
**Role of Internet in Providing Services**

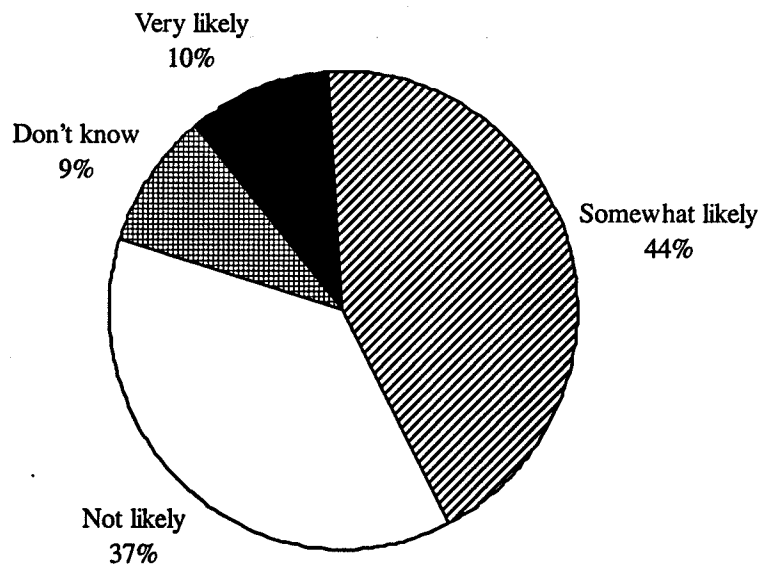


**Table 1**  
**Role of the Internet to Communicate with**  
**Service Providers (by Size of Company)**

	Size of company	
	Small	Large
Credit	33%	48%
Cash management	56%	71%
Investment management	35%	43%
Derivatives/hedging services	10%	25%
Foreign exchange	14%	31%
Capital market services	13%	29%

Respondents forecast dramatic growth in the use of the Internet for financial services. Over half of the respondents indicated they would very likely or somewhat likely to use the Internet as a one-stop shopping center for all financial services. (See Figure 3.)

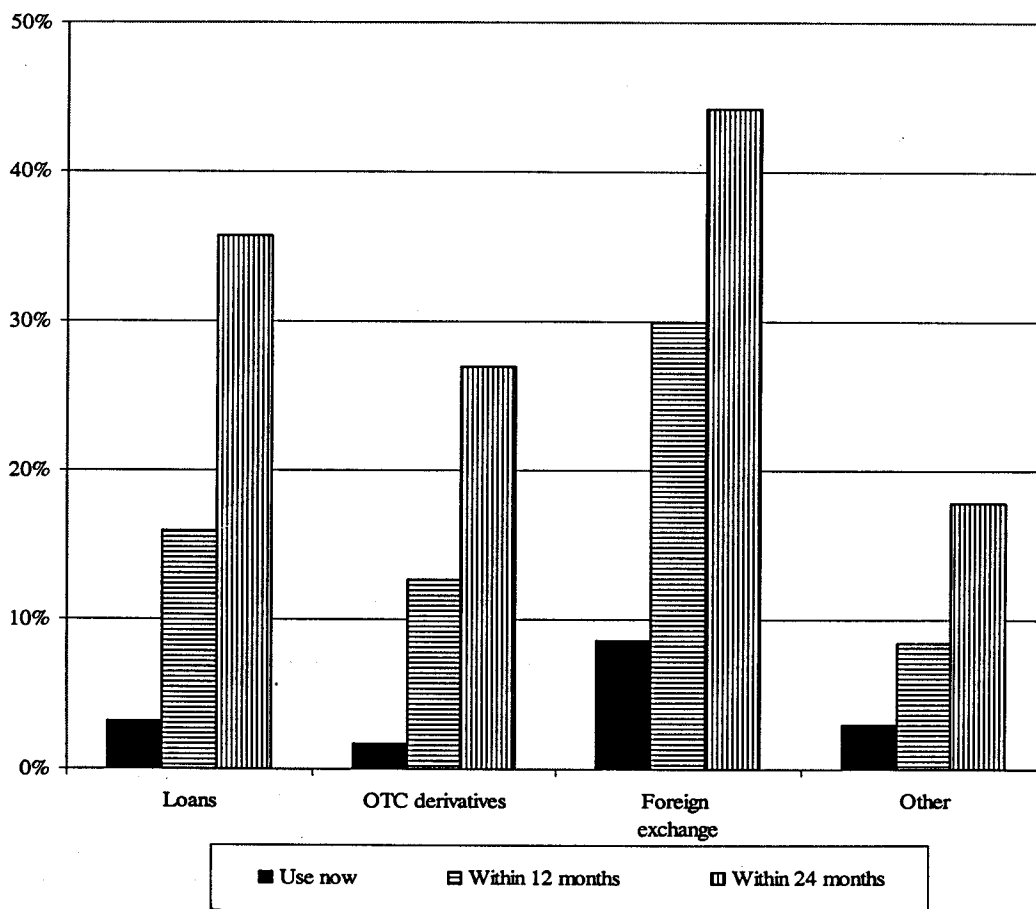
**Figure 3**  
**Likelihood of Using Internet as One-Stop Shopping Center**



We also asked respondents whether they use now or plan to use the Internet to negotiate loans, OTC derivatives, or foreign exchange. Currently, only a small percentage of respondents use the Internet for foreign exchange services (9%), loans (3%), and OTC derivatives (2%). **However, use of the Internet is expected to at least quintuple within the next two years for each of these financial products.** As Figure 4 shows, negotiating loans on the Internet may increase from 3 percent to 36 percent, OTC derivatives from 2 percent to 28 percent, and foreign exchange services from 7 percent to 45 percent.

Respondents from large companies expect significantly higher growth than smaller companies in negotiating OTC derivatives and foreign exchange services.

**Figure 4**  
**Use of the Internet for Negotiating Financial Products**  
**(now and in future)**

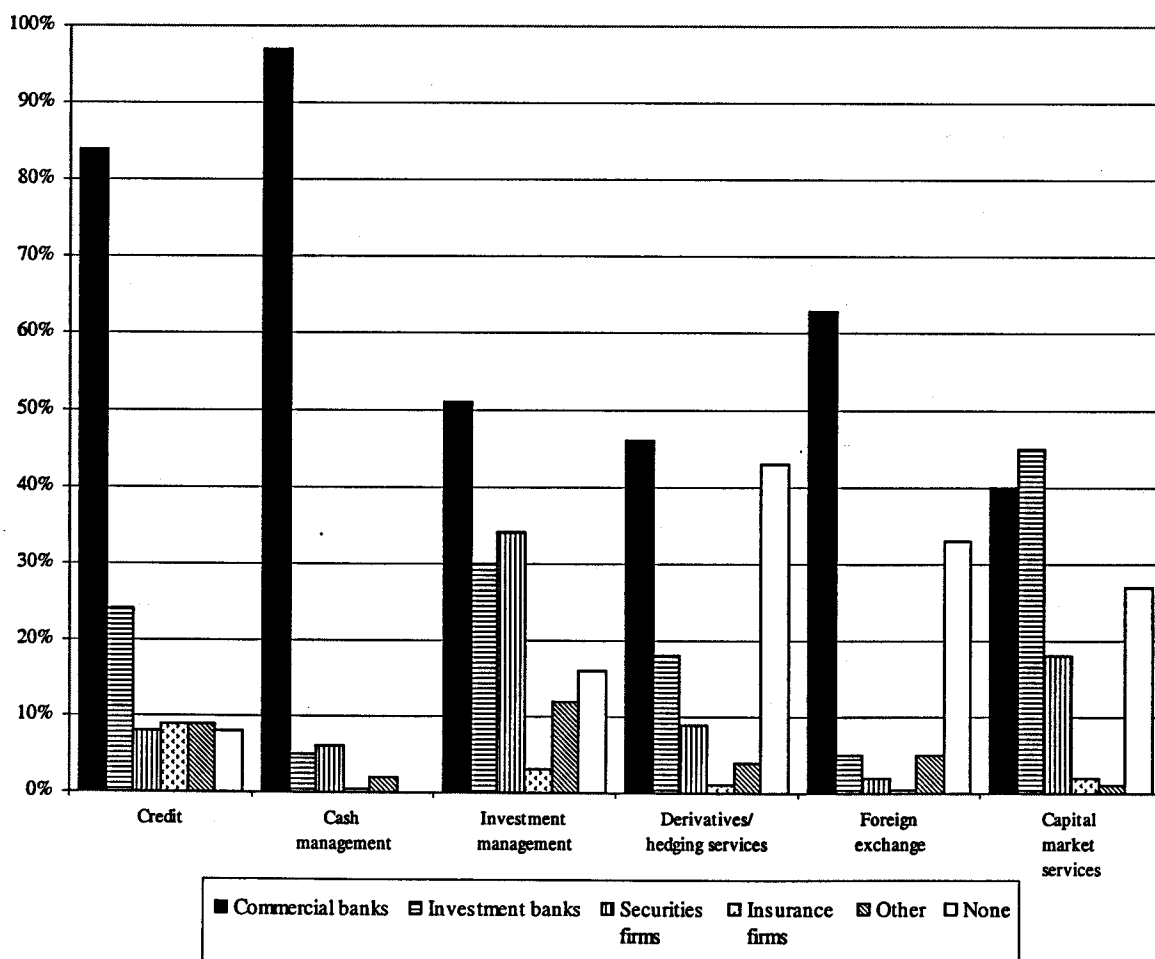


## ROLE OF COMMERCIAL BANKS AS FINANCIAL SERVICE PROVIDERS

Commercial banks continue to play the dominant role in providing services to corporate customers. Respondents were asked to select the type of financial institution used to provide six specific services. As Figure 5 shows, banks are the key providers of five of the six services, including cash management (97%), credit (84%) and foreign exchange (63%). Investment banks are the key provider of capital market services. Taken together, investment banks and securities firms have a larger market share than banks in investment management (64% vs. 51%) and capital market services (63% vs. 40%). Securities firms remain the major provider of investment management (35%).

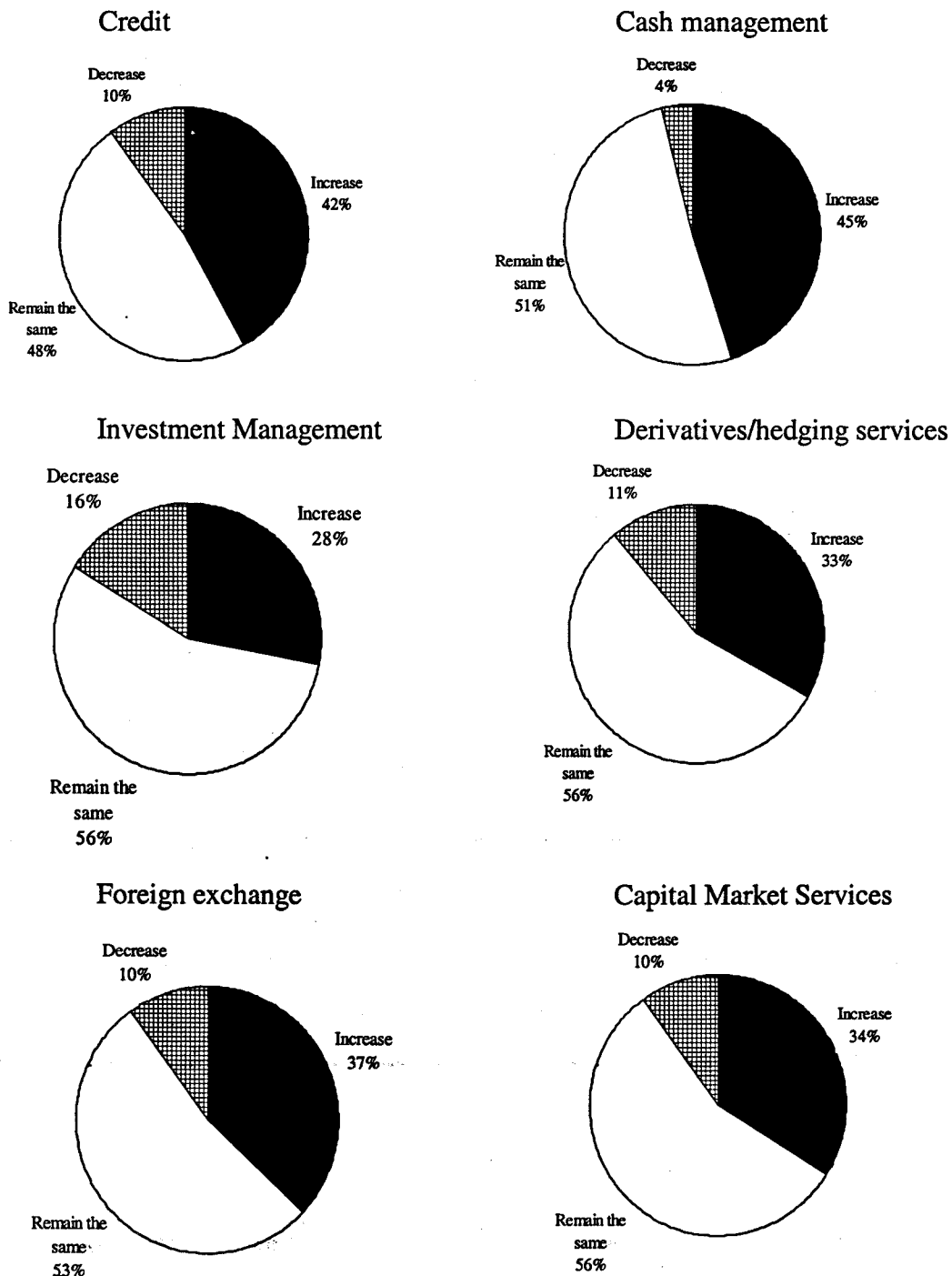
We divided respondents into two segments based on company revenues: smaller companies (less than \$250 million in annual sales) and larger companies (\$250 million or greater). Not surprisingly, smaller companies were less likely than larger firms to use derivatives/hedging services (68% vs. 36%), foreign exchange services (54% vs. 27%), and capital market services (48% vs. 20%).

**Figure 5**  
**Types of Institutions Used for Financial Services**



**Banks have maintained or increased market share in all six service categories over the past two years. Specifically, over 40 percent of respondents said their use of commercial banks for cash management and credit services had increased. (See Figure 6.) On average, only about 10 percent of respondents report their use of services from commercial banks has decreased—investment management showing the largest decrease (16%).**

**Figure 6**  
**Use of Services from Commercial Banks**



About half of the respondents believe that banks will maintain their role in providing financial services. Troubling to commercial banks, however, is that 20 percent of respondents said banks will play a smaller role as a future provider of services. (See Table 2.) Asked if their organizations would seek financial services from fewer entities, 41 percent agreed, while 32 percent disagreed.

**Table 2**  
**Attitude Towards Financial Service Consolidation**

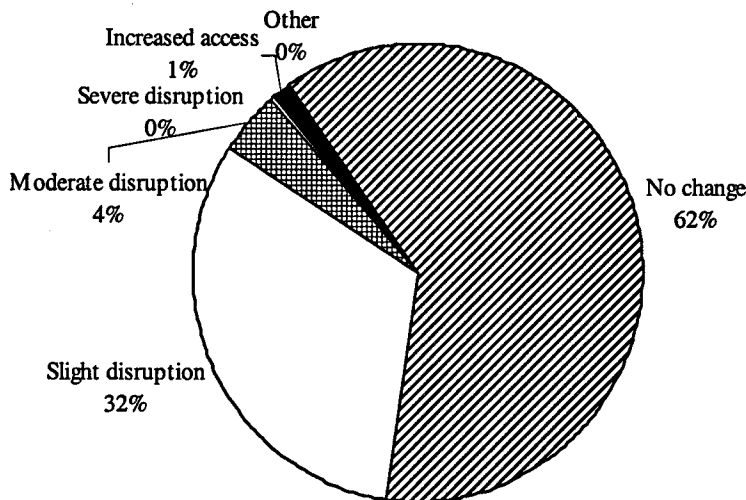
	Strongly disagree	Disagree	Neither disagree nor agree	Agree	Strongly agree
Banks will play less of a role in providing my organization's financial services needs as other types of institutions offer those services.	7%	48%	24%	19%	1%
If the services now offered by commercial banks, investment banks, insurance companies and brokerages could be offered by a single financial institution, my organization would likely procure its financial services from fewer entities.	2%	30%	28%	36%	5%



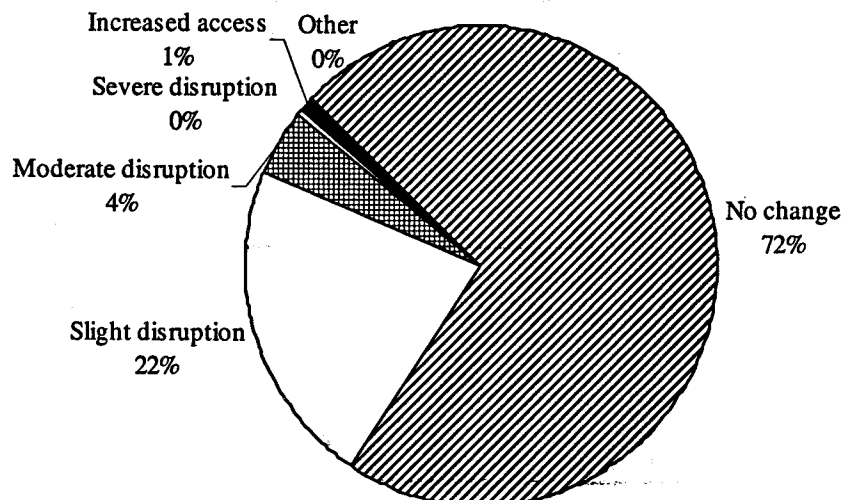
## IMPACT OF Y2K

Much discussion has focused on the possible disruption of Y2K on access to cash flow from operations and capital. **The data suggests only a minimal impact on access to cash flow from operations and capital due to Y2K.** Specifically, about two-thirds of respondents believe there would be no change in company cash flow, about 30 percent anticipate a slight disruption; only 4 percent expect a moderate impact. (See Figure 7.) Seventy percent said there would be no change in their access to capital due to Y2K. About 20 percent believe there would be a slight disruption; 4 percent anticipate a moderate one. Respondents from large and small companies indicate no difference on both of these survey items.

**Figure 7**  
**Impact of Y2K on Cash Flow**



**Impact of Y2K on Access to Capital**

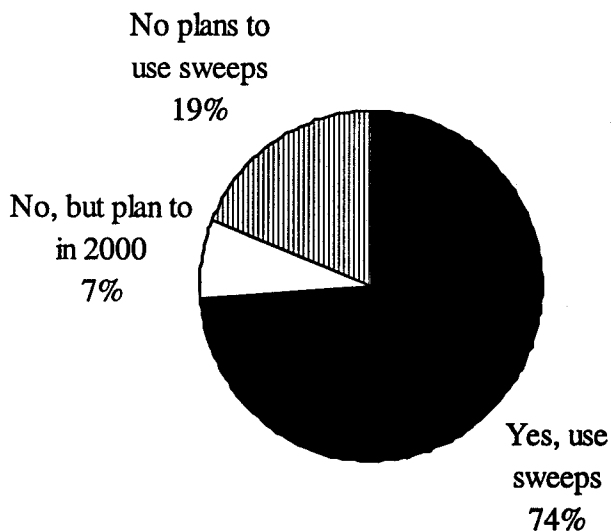


## USE OF SWEEP ACCOUNTS

Sweep accounts is a technique where “excess” funds are automatically “swept” into an interest bearing account. **The data suggests that the use of sweep accounts to maximize yield on deposit funds is widespread among organizations which employ TMA members.** Three in four TMA member companies currently use sweep accounts. (See Figure 8.) About one in five have no plans to use sweeps; another 7 percent currently do not use sweeps, but plan to increase their usage in 2000. Sweeps are commonly used by all organizations represented in TMA membership, from middle market companies to the largest organizations.

Among those who currently use sweeps, about a third plan to increase their usage next year. No differences were found by size of company.

**Figure 8**  
**Use of Sweep Accounts**



## **SUMMARY OF CONCLUSIONS**

The Treasury Management Association (TMA) conducted a survey of its members to determine the impact of the Internet on providing financial information, products, and services and to measure the changing roles of commercial banks and other financial service providers. We received over 850 responses from organizations ranging from under \$50 million to \$20 billion in total revenues, as well as responses from public and private companies, and non-profit/government agencies.

### **ROLE OF THE INTERNET**

Our members report a broad and growing use of the Internet for several key financial services. Forty percent or more of respondents use the Internet to obtain information on credit, cash management, investment management and foreign exchange.

Currently, only a small percentage of respondents use the Internet to negotiate loans, foreign exchange services, and OTC derivatives. However, use of the Internet is expected to at least quintuple within the next two years for each of these financial products.

Respondents forecast dramatic growth in the use of the Internet for financial services. Over half of the respondents indicated they would very likely or somewhat likely to use the Internet as a one-stop shopping center for all financial services.

### **ROLE OF COMMERCIAL BANKS**

Commercial banks continue to play the dominant role in providing services to corporate customers. Banks are the key providers of cash management, investment management, and derivatives/hedging services. Over the past two years, banks have also maintained or increased market share in all six service categories surveyed.

About half of the respondents believe that banks will maintain their role in providing financial services. Troubling to commercial banks, however, is that 20 percent of respondents said banks will play a smaller role as a future provider of services. Forty percent said they would seek financial services from fewer entities if services were offered by a single financial institution.

### **IMPACT OF Y2K**

The vast majority of respondents believe Y2K will have a minimal impact. Sixty percent of respondents see "no change" in company cash flow; only a third see a "slight disruption." Seventy percent see "no change" in access to capital; 22 percent see a "slight disruption."

### **USE OF SWEEP ACCOUNTS**

The use of sweep accounts is widespread among organizations which employ TMA members. About three-quarters of survey respondents use sweep accounts; another 7 percent plan to next year.

# APPENDIX A

## THE INTERNET AND THE CHANGING FINANCIAL SERVICES MARKETPLACE

1. What type of institution does your organization use now for each of the following services? (check all that apply)

	Commercial <u>banks</u>	Investment <u>banks</u>	Securities <u>firms</u>	Insurance <u>firms</u>	<u>Other</u>	<u>None</u>
a. Credit .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Cash management.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Investment management .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Derivatives/hedging services .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Foreign exchange service .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Capital market services.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. How has your use of these services from commercial banks changed in the past 2 years? Has it increased, decreased, or remained about the same?

	<u>Increased</u>	<u>Decrease</u>	<u>Remained about the same</u>	<u>Do not use</u>
a. Credit .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Cash management.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Investment management .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Derivatives/hedging services .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Foreign exchange.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Capital market services.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

3. What role does the Internet play in your use of each of the following services? (check all that apply)

	<u>I use the Internet to...</u>							
	<u>Obtain information</u>		<u>Select service providers</u>		<u>Communicate with service providers</u>		<u>Transact business</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
a. Credit .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Cash management.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Investment management .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Derivative/hedging services .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e. Foreign exchange.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f. Capital market services.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

4. What impact do you expect Y2K will have on your company's access to capital?

- |  |  |
|--|--|
| <input type="checkbox"/> Increased access  | <input type="checkbox"/> Moderate disruption   |
| <input type="checkbox"/> No change         | <input type="checkbox"/> Severe disruption     |
| <input type="checkbox"/> Slight disruption | <input type="checkbox"/> Other (specify) _____ |

5. What impact do you expect Y2K will have on your company's cash flow from operations?

- |  |  |
|--|--|
| <input type="checkbox"/> Increased cash flow | <input type="checkbox"/> Moderate disruption   |
| <input type="checkbox"/> No change           | <input type="checkbox"/> Severe disruption     |
| <input type="checkbox"/> Slight disruption   | <input type="checkbox"/> Other (specify) _____ |

(continued on page 2)

**6. To what extent do you agree or disagree with the following?**

	<u>Strongly disagree</u>	<u>Disagree</u>	<u>Neither disagree nor agree</u>	<u>Agree</u>	<u>Strongly agree</u>
a. Banks will play less of a role in providing my organization's financial services needs as other types of institutions offer those services .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. If the services now offered by commercial banks, investment banks, insurance companies and brokerages could be offered by a single financial institution, my organization would likely procure its financial services from fewer entities.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**7. If available, how likely would you be to use an Internet web site as a one-stop shopping center for all financial services?**

☐ Very likely      ☐ Somewhat likely      ☐ Not likely      ☐ Don't know

**8. Do you use now or plan to use the Internet to negotiate for the following financial products?**

	<u>Use now?</u>		<u>Within the next 12 months?</u>			<u>Within the next 24 months?</u>		
	<u>Yes</u>	<u>No</u>	<u>Very likely</u>	<u>Somewhat Likely</u>	<u>Not likely</u>	<u>Very likely</u>	<u>Somewhat Likely</u>	<u>Not likely</u>
a. Loans .....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. OTC derivatives.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Foreign exchange.....	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d. Other (specify) _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**9. The use of sweep services by corporate banking customers has been growing rapidly due to technology and higher yields from non-traditional instruments. Do you currently use sweeps?**

☐ Yes, I currently use sweeps  
 If yes, do you plan to:  
☐ Increase usage in 2000      ☐ Decrease usage in 2000      ☐ No change planned  
☐ No, but my company plans to in 2000  
☐ No plans to use sweeps

**10. Is your company (at the parent level)...**

☐ Publicly held      ☐ Privately held      ☐ Other (e.g., non-profit, government)

**11. What is the approximate size of your company's revenues?**

☐ Under \$50 million      ☐ \$250 - 699.9 million      ☐ \$5 - 9.9 billion  
☐ \$50 - 99.9 million      ☐ \$500 - 999.9 million      ☐ \$10 - 20 billion  
☐ \$100 - 249.9 million      ☐ \$1 - 4.9 billion      ☐ Over \$20 billion

**THANK YOU FOR YOUR INPUT!**  
**PLEASE FAX RESULTS TO (301) 907-2864.**